

A tradition beyond numbers: The Swedish management audit in historical perspective

Accounting History

1–21

© The Author(s) 2025



Article reuse guidelines:

sagepub.com/journals-permissions

DOI: 10.1177/10323732251400425

journals.sagepub.com/home/ach**Amanda Sonnerfeldt** 

Lund University, Sweden; Copenhagen Business School, Denmark

Katharina Rahnert 

Karlstad University, Sweden

Abstract

In Sweden, the statutory audit extends beyond the financial statement audit. It mandates an audit of the company's administration by the board and the managing director (management audit). Despite being a national tradition since the mid-seventeenth century and resisting various harmonisation efforts, the practice remains under-researched in accounting history. This study aims to analyse the development of the Swedish management audit from its legal inception in 1895 to 1994, the year prior to Sweden's EU membership. Through the lens of historical institutionalism and using document analysis, our findings reveal how critical events have prompted institutional changes, and how path dependencies have both sustained the continuity of the Swedish management audit and shaped its trajectory. The study offers three key contributions. Firstly, it deepens understanding of the antecedents of the Swedish management audit and the institutional context that has shaped its development, offering a nuanced perspective on its status and relation to the financial statement audit, both of which form part of the statutory audit. Secondly, it underscores the need for context-sensitivity in international harmonisation endeavours, emphasising the caution needed when adapting global audit standards to local regulatory environments and national audit traditions. Thirdly, it provides insights into the opportunities and challenges posed by the broader scope of the Swedish management audit, particularly in relation to the audit expectation gap literature. Furthermore, the study advances new avenues of inquiry, encouraging a rethinking of the audit concept to enhance its relevance both in Sweden and on a broader scale.

Keywords

Audit, management audit, audit regulation, Sweden, accounting history, national traditions, harmonisation, historical institutionalism

Corresponding author:

Katharina Rahnert, Karlstad University, 651 88 Karlstad, Sweden.

Email: katharina.rahnert@kau.se

Introduction

Audit is a social phenomenon (Flint, 1988; Mautz and Sharaf, 1961). Its role and scope have been redefined and reconstituted throughout history to meet changing business needs and societal expectations (Brown, 1962; Humphrey et al., 1992). The expectation gap literature has shown that users of financial statements in many countries often hold expectations that exceed the responsibilities and role of auditors (Quick, 2020). For various stakeholders, auditing a company's management is considered a crucial and constitutive part of an audit, in addition to the widely discussed fraud detection (Ruhnke and Schmidt, 2014). Nevertheless, in many jurisdictions, these aspects fall outside the purview of the statutory audit.

In Sweden, the statutory audit has a long-standing tradition that extends beyond the financial statement audit (referred to as *räkenskapsrevision*, hereafter FSA). Since 1895, it has encompassed the Swedish management audit (known as *förvaltningsrevision*, hereafter MA) whereby auditors review the administration of the company by the board of directors and the managing director.¹ The practice of the MA in Sweden is widely acknowledged for its benefits to stakeholders. It is regarded as a preventive control mechanism to assure a company's adherence to rules and regulations, potentially fostering sound business practices (Prop. 2013/14:86). Concurrently, auditors provide recommendations to the general meeting of shareholders regarding the discharge of liabilities for the board and the managing director vis-à-vis the company for the financial year (SFS 2005:551). Furthermore, it is presumed that MAs, together with FSAs, afford auditors deeper insights into the intricacies of business operations and administration (RevR 209). Hence, as an integral part of the statutory audit, albeit limited in global practice, the MA presents an interesting subject for study due to its importance for users of financial reports.

This study is motivated by two key considerations. Firstly, research dedicated to the MA remains limited compared to other auditing areas, rendering it relatively unfamiliar in academic and professional spheres outside Sweden (Burrowes and Persson, 2000; Persson, 2020). A lacuna persists in the international accounting history literature concerning non-Anglophone countries (Carmona et al., 2004), resulting in a gap in knowledge of jurisdiction-specific practices. Research on Swedish auditing history published in international English language journals has focused on the development of the Swedish audit profession, regulation, and practice pertaining to the more familiar FSA (Öhman et al., 2006; Öhman and Wallerstedt, 2012). While the MA has been discussed in accounting literature, it is often analysed in the context of economic crime (Larsson, 2005), corporate governance (Dahlgren and Nilsson, 2004; Eklöv Alander, 2019), and the development of Swedish auditors' reports (Rahnert, 2017). One exception is the study by Burrowes and Persson (2000) that focused on Swedish auditors' opinions on the conceptual underpinnings of the MA. Previous writings published in Swedish on the MA have predominantly adopted a descriptive approach, providing accounts of the characteristics and practices of the MA at specific historical junctures (see, e.g., Ranby, 1968; Sillén, 1944, 1952). Within the legal history discipline, Olsson (1976), and more recently, Svernlöv (2008) and Östberg (2023), contribute to the literature on the MA from a jurisprudential perspective. To the best of our knowledge, the antecedents and development of the MA remain underexplored in the accounting literature.

Secondly, in the last two decades, global audit regulation and the growing adoption of International Standards on Auditing (ISAs) have strongly driven statutory audits towards one global audit model (Humphrey et al., 2021). While international harmonisation has promoted consistency in audits, the pursuit of international standardisation, at times, inadvertently subjugated national traditions and led to the marginalisation of audit practices that may be better suited to a specific national context. Contemporary academic research has directed focus on evaluating the impact of regulatory changes on the expectations of stakeholders (Coram and Wang, 2021; García-Hernández et al., 2022).

Increasingly, studies have raised concerns about the social relevance and lack of conceptual innovation in audits (Humphrey et al., 2021; Sikka et al., 2009), prompting researchers to explore alternative perspectives to develop the audit concept (Adams et al., 2023; Hatherly, 2022; Humphrey et al., 2021; Knechel et al., 2020). To a lesser extent, contemporary research has delved into national auditing history to contemplate this development. Advancing these discussions necessitates a deeper understanding of national auditing traditions (Gomes et al., 2011; Walker, 2016).

This study aims to address the existing gaps in the literature by analysing the development of the MA in Sweden between 1895 and 1994. The period encompasses the initial legal mandate of MAs and extends to Sweden's accession to the European Union (EU). The selected timeframe captures an era prior to the substantial influence of EU legislation and international standards on national auditing practices (Sonnerfeldt and Eklöv Alander, 2023). This analysis adopts the lens of historical institutionalism to examine how critical junctures and the institutional contexts have shaped the trajectory of the MA over time.

While this study focuses on a seemingly narrow facet of auditing, it contributes to bridging national traditions by offering deeper insights into the historical and contextual development of the statutory audit in Sweden. It reveals the tensions and debates surrounding regional and international efforts to harmonise audits, and explores the opportunities and challenges posed by the broader scope of the MA in relation to the audit expectation gap literature. We believe that these insights will foster critical discussion and debates, encouraging the development of context-sensitive regulations essential for maintaining audit practices that are relevant and responsive to contemporary society.

Early practice of the MA in Sweden

Auditing of Swedish enterprises emerged when double-entry bookkeeping gained ground in the first half of the seventeenth century, when Sweden was a European Great Power (Sillén, 1944). During the seventeenth and eighteenth centuries, auditors for companies such as the Tar Trading Company, East India Company, and Alingsås Manufacturing Company reported on whether those managing the company should be discharged of liability, inferring the early practice of MAs (Johnsson, 1946; Sillén, 1952). Auditors' reports of that time included sharp criticism of the way companies were administered (Johnsson, 1946), as illustrated by the following quotation from the auditor of Surahammar Bruk in 1785 (Sillén, 1944: 202):

At the office of Surahammars Bruk, obviously, pens are eaten because six packets have been consumed during the last year. At the office of Skultuna Bruk, although there are three times as many secretaries compared with 'Sura', only three packets have been spent during the same time period. These might be small matters, but this comment is made for no other reason than as evidence of mismanagement at 'Sura', even down to the last detail.

In the early nineteenth century, it was common for auditors to suggest organisational or managerial improvements and recommend whether to discharge those managing the company from liability or provide reasons against it in their reports (Rahnert, 2017; Sillén, 1952).

The MA was privately regulated by companies' articles of association. For instance, the articles of association for the Strömsholms New Canal Company in 1842 provided detailed requirements for auditors to give insights into their work, which encompassed inspecting both old and new canal and lock works, assessing work in progress, evaluating maintenance, and the necessary facilities for traffic safety. Additionally, the auditors were tasked to review payment methods and the management's minutes for the financial year to examine how the company's obligations to the state and individuals were fulfilled (Sillén, 1944).

The primary responsibility of the auditor was the MA. The auditor's work was then often supported by figure-checking clerks who verified the 'correctness' of the financial statements and the underlying transactions, issuing a separate report as part of the figures review (Rahnert, 2017).² The MA thus emerged not as a fad invented by the legislator, but as an institution that had gradually developed through practice over centuries. Following the introduction of statutory auditing in 1895, encompassing both the MA and the FSA, understanding the development of the MA necessitates the analysis of the contextual forces that shaped its role within the framework of statutory audit and its relationship to the FSA.

Historical institutionalism

This study draws on historical institutionalism to analyse the contextual forces driving the development of the MA from 1895 to 1994. This theoretical lens adopts the notion that history is not a linear progression of isolated events but rather emphasises the interplay between events and their broader historical context, which significantly influences subsequent decisions and outcomes. Historical institutionalists postulate a dual model of institutional development where extended periods of path-dependent stability are occasionally interrupted by critical junctures (Pierson, 2000; Steinmo, 2008). Critical junctures are turning points that are shown to have established important institutional parameters that make transformative changes within institutions and constitute the starting points for new path-dependent processes (Capoccia and Kelemen, 2007). These parameters may include informal rules, norms, and structures that govern and shape the behaviour and interactions within an organisation or institution (Scott, 1995). Simultaneously, it implies the notion that institutions tend to persist, resulting in patterns that reinforce themselves over time (Fülbier and Klein, 2015; Mahoney, 2000).

Path dependence involves three phases: a critical juncture that initiates movement along a particular path, a reproduction phase characterised by positive reinforcement mechanisms that strengthen the chosen path, and a subsequent set of events that disrupt the established equilibrium (Pierson, 2000). Pierson (2000) further notes that the timing of events within the sequence holds great importance, as seemingly minor early events can yield substantial impacts on subsequent events. At a critical juncture, the initial stages of the sequence tend to be more open and permissive, gradually transitioning into a more restrictive set of possible outcomes. Change becomes bounded owing to accumulated commitments and positive feedback mechanisms, which create challenges in reversing the course, thereby shaping the nature of future developments.

Setting the context of the Swedish case is essential for providing a nuanced analysis through this theoretical lens. The development of audit practice and regulation in Sweden, a Scandinavian country, has been shaped by institutional contexts and political rationalities different from Anglo-Saxon nations (Carnegie and Napier, 1996; Larsson, 2005; Puxty et al., 1987). Sweden finds its place within the civil-law tradition (La Porta et al., 1998) while its accounting system aligns with the Continental European Model, embodying a tax-oriented and government-driven approach (Nobes, 1983). In the accounting context, Fülbier and Klein (2015) put forth that formal institutions, including the political and economic system, legislation, and standards, are not static but evolve and change over time.

The auditing tradition that emerged in Sweden drew influences from practices in other countries, for instance, Germany (Wallerstedt, 2009). The role of auditing in Sweden can be understood to have developed in the context of a strong state (Larsson, 2005). In 1895, audits were regulated primarily by the Companies Act; formalised auditing standards were largely absent. Over time, state authority became more de-centred as the number of rules and rule-making bodies increased (Öhman and Wallerstedt, 2012). For example, the National Board of Trade was delegated the authority to authorise and approve auditors in 1973. Two years later, the legislator delegated the authority to

set auditing standards to private organisations, thereby effectively assigning this role to the audit profession. These standards have since been used by the Courts as a reference point in determining Swedish Generally Accepted Auditing Standards (GAAS).

Öhman and Wallerstedt (2012) have shown that over time, critical events, for instance, the 1932 Kreuger Crash, have driven the reciprocal relationship between audit regulation and the development of the profession, which in turn shaped audit practice. Furthermore, audit practices have also been significantly influenced by audit firm mergers and the establishment of large accounting firms in Sweden (Wallerstedt, 2001), harmonisation efforts by legislators and professional associations at the Nordic, European, and international levels (Öhman and Wallerstedt, 2012), as well as standardisation of practices within the accounting firms (Cooper and Robson, 2006).

In sum, historical institutionalism as a theoretical perspective is pertinent for this study as it directs our focus towards the timing and sequence of events. Specifically, it brings to attention the importance of historical context, path dependency, and critical junctures that have shaped the broader audit regulatory landscape, which subsequently influenced the development, role, and significance of the MA and its intricate relationship with the FSA.

Method

This study adopts an interpretive qualitative approach to analyse the development of the MA in Sweden. It extends beyond mere description to uncover how the underlying forces have driven its development (Carnegie and Napier, 1996). The study is carried out in three stages. In the first stage, we drew on previous research related to the development of audit (Rahnert, 2017; Sillén, 1944, 1952), the audit profession (Öhman and Wallerstedt, 2012; Wallerstedt, 2009), as well as legal history research (Östberg, 2023) to map out chronologically the actors, institutions and key events that actively shaped the statutory audit in Sweden, which the MA is part of. This mapping provided an understanding of the developments in the legal domain and the domain of the audit profession, providing a starting point for our data collection process. When deciding on the periodisation, consideration was given to the socioeconomic and political cycles which are reflected in legislative changes, especially those associated with the Companies Acts of 1895, 1910, 1944, and 1975, as well as the Accountants Act of 1995, which regulates the statutory audit (Gustavsson and Rahnert, 2023). The initial periods 1895–1909, 1910–1943, 1944–1974, and 1975–1994 were reviewed iteratively during the analysis of our data.

In the second stage, data were collected from multiple sources. Publicly available documents included relevant statutory audit legislation, Swedish Government Office Reports (*Statens Offentliga Utredningar* (SOUs)) and Government Bills (*Propositioner*) from the legal domain. The SOUs comprise reports produced by government-appointed commissions of inquiry, proposals, and recommendations for drafting new laws. Government Bills, by contrast, publish information on the government's legislative proposals, accompanied by detailed explanations, justifications, and the specific legal amendments proposed. Together, these documents contain policy and legal requirements, critical events driving legislative changes, stakeholder discussions, and impact assessments for businesses and society. For this study, the aforementioned documents provide crucial contextual information for understanding the trajectory of the MA. Other public sources utilised to understand the context and practice of the MA include books and articles from trade journals.

To understand the development of the MA in the domain of the audit profession, we gathered data mainly from private archives of two associations representing the Swedish audit profession: the Swedish Institute of Authorised Public Accountants, FAR (previously an acronym for *Föreningen Auktoriserade Revisorer*),³ and the Swedish Association of Auditors (*Svenska Revisorsamfundet* (SRS)). These associations, which merged into one organisation in 2006, have

played active roles in the development of the MA across different historical periods. Particular attention was paid to their pronouncements and guidance. The data collection was further supplemented by documents such as terms of reference, minutes from working groups, board and annual meetings, surveys from relevant associations, and records from Nordic accounting conference proceedings. These sources provided crucial insights into key events, deliberations, and stakeholder engagements that shaped the development of the MA. Practitioner publications in trade journals, such as *Balans*, provided valuable insights into the development of MA standards, the stakeholders of FAR, and the broader contextual factors influencing the profession, notably during the period from 1975 to 1994, when the audit profession was actively engaged in setting standards to guide members towards Swedish GAAS. *Balans* featured contributions from practitioners discussing legislative changes and the implications on professional guidance, pertinent events within the profession, and in-depth reflections on MA thought and practice over time. This information provided a basis to understand how the audit profession developed the MA within the parameters set by the state and the mechanisms that reinforced its nature and practice. Further, we gathered information from the private archives of the Stockholm Chamber of Commerce for information pertaining to the qualification and competence of auditors during the period when it was actively involved in the authorisation and approval of auditors. The main empirical sources are presented in Appendix I.

In the third stage, we analysed the data collected by drawing on thematic analysis (Braun and Clarke, 2006). First, we familiarised ourselves with the data by reading and re-reading sections of the documents individually, and then together in an interpretative manner. From our initial reading, we developed a chronological narrative of the main historical events from the data collected that had a significant influence on the trajectory of the MA. This was compared to the mapping of the development of the statutory audit performed in stage one. Given that the 1910 Companies Act had no significant impact on the MA, three distinct phases were defined within the time frame of this study:

1895–1943: The inception of statutory MAs

1944–1974: The shift in MA standing in relation to the FSA

1975–1994: The MA in the context of Swedish GAAS

We systematically organised and coded textual information for each time period. Initial codes included events, regulatory shifts, institutional changes, actors' agency, activities within the legal domain and the domain of the audit profession, and interactions between them. After iteratively reviewing our initial codes and gathering data, we identified historical institutionalism as a relevant theoretical framework for analysing and presenting our findings. Thereafter, the initial coding was reviewed based on theoretically informed categories focusing on the historical context, critical events, reinforcement mechanisms and institutional parameters that initiated new path-dependent processes. From the coded data, we identified patterns and generated and reviewed themes. When performing the analysis, attention was directed towards the timing and sequence of events across periods, rather than one period in isolation, to obtain a more thorough understanding of the development of the MA.

Development of the MA

This section is structured into three distinct periods. Each period begins with a brief outline of the historical context and critical events. This is followed by a review of institutional reforms, first in the legal domain and then in the domain of the audit profession, which established new parameters and reinforcing mechanisms that have influenced the trajectory of the MA.

1895–1943: The inception of statutory MAs

The nineteenth-century economic transformation in Sweden, characterised by agrarian changes and rapid industrialisation, led to increased private ownership (Schön, 2010). The enactment of the first Swedish Companies Act in 1848 granted limited liability to owners and facilitated the formation of companies, including large industrial companies managed by non-owners, effectively separating ownership from control. The growing number of limited companies in the second half of the nineteenth century, along with incidents of fraud and embezzlement, marked a critical juncture that highlighted the necessity for regulated control (Prop. 1895:6; see also Gustavsson and Rahnert, 2023; Öhman and Wallerstedt, 2012). In response to these issues, the State introduced a provision in the 1895 Companies Act (SFS 1895:65) mandating audits of all Swedish limited companies. Although Nordic cooperation in various legislative areas began in the late nineteenth century, there were no efforts to harmonise the Companies Act (SOU 1971:15). As a result, there were differences in the content and structure of the Companies Acts of the Nordic countries. The Swedish 1895 Companies Act instead drew inspiration from the German Companies Act, influenced by the strong economic ties between the two countries. However, while Germany began adopting a two-tier board system in the nineteenth century (Hommelhoff and Schubert, 1985), Sweden maintained a single-board structure. This decision was driven by the assumption that Swedish auditors would continuously follow the course of affairs of the audited company (Prop. 1895:6).

The Act set parameters requiring that both MAs and FSAs be conducted as part of the statutory audit, with their results included in auditors' reports. While it did not detail instructions on how audits should be conducted or specify who should perform them, essential conditions were specified to facilitate the audit process. These included granting the auditors full access to the company's books and accounts and requiring the board of directors to disclose relevant information to the auditors. At that time, audits were conducted by lay auditors who worked on an honorary basis and alongside their ordinary work as accountants, bank clerks, lawyers, merchants, and the like (Sillén, 1944). Individual auditors relied on customary audit practices, and commonly recommended in their reports the discharge of the board of directors and the managing director from liability (SOU 1971:15; see also Rahnert, 2017). This practice illustrates the reinforcement of these specific audit practices over time.

The establishment of SRS, the first professional organisation of auditors in Sweden, in 1899, can be attributed in part to the implementation of the 1895 Companies Act (SRSa 1). In 1902, SRS published *Guidelines for Auditors* as a complement to the requirements in the Companies Act that were not clearly specified (SRSa 2). The objective of the guidelines was to codify best practices and set minimum audit requirements for lay auditors. Inspired by the work of Francis W. Pixley, a leading U.K. practitioner, the guidelines primarily focused on the FSA, reflecting U.K. influence. However, they also outlined specific MA procedures, including the review of articles of association, contracts, mortgages, and fire insurance documents, as well as the verification of inventory values. Additionally, the guidelines addressed reporting requirements pertaining to the audit process and the recommendation on discharging the board and managing director from liability.

A second professional association for auditors, FAR, was established in 1923 (FARa A2). In contrast to SRS, FAR's members were academically trained, authorised auditors working full-time. In 1926, FAR published *Auditing Guidelines* written by one of its pioneering members, Seth Svensson. The 1926 guidelines expanded on the 1902 SRS guidelines by offering more detailed MA guidance, including auditing new, expanding, or restructuring companies (Svensson, 1926). They clarified that the MA aimed to ensure the board managed the company for its prosperity, instructing auditors to review thriftiness, salaries, and other management compensations. Importantly, Svensson contended that the financial statements were an integral part of the

management of a company. Essentially, it suggested that while auditors primarily focus on the MA, they should also integrate the FSA into their overall auditing process. For situations where auditors did not perform FSAs themselves, the guidelines provided templates for instructions to and reports from figure-checking clerks. The guidelines also highlighted a strong connection between the MA and consulting services, setting the trajectory for MA practices (Svensson, 1926: 12):

An auditor's task should be considered not only to review and criticise the board's administration, the accounts, etc.; he should take his assignment more positively and primarily consider himself a help to the board and the company. His special experience must be put to the service of the company. A professional auditor should thus be able to become a good help to a company in terms of control devices, setting up bookkeeping, organisational issues of various kinds, etc.

In the early 1930s, the Association of Approved Examiners, *Föreningen Godkända Granskningsmän*, was founded (SHKa 1931 H). Although the examiners were approved by the Chambers of Commerce, just like auditors who had been authorised by the Chambers since 1912 (SHKa 1912 A), the requirements on education and practice were lower, and full-time occupation was not mandatory. A publication from 1933 clarified their role vis-à-vis auditors; the examiners could undertake audits, figure reviews, as well as consultancy services (FGG, 1933). Approved examiners gradually replaced figure-checking clerks and expanded their role to include audits of smaller companies. Despite this broader role, there were still indications of a separation of tasks, especially in the audits of larger companies, where auditors were supported by approved examiners who handled figure reviews (Rahnert, 2017).

At the International Congress of Accountants held in Berlin in 1938, Nils Karlgren, an established member of FAR, reported on Swedish audit practices. While Karlgren (1939: 252) acknowledged the necessity of FSAs for proper audits, he emphasised the critical role of MAs, noting that:

[...] inept business measures can be more disastrous for the company than, for example, errors in the balance sheet.

He outlined the various tasks MAs entailed, while also drawing attention to the potential risks to auditor independence from MA-related consulting.

1944–1974: The shift in MA standing in relation to the FSA

The collapse of the Kreuger group of companies in 1932 had profound global repercussions, resulting in significant financial losses for investors and exacerbating the broader economic crisis of the Great Depression (Flesher and Flesher, 1986). The Kreuger Crash, primarily due to financial fraud, revealed shortcomings in audit practices at that time, even by authorised auditors. This event marked a critical juncture whereby significant revisions to the Companies Act of 1895 (revised in 1910 through SFS 1910:88) were instituted. This included provisions for consolidated accounts, which were considered important for a comprehensive understanding of a company's financial position and performance, as well as audit reforms granting auditors a stronger position vis-à-vis the board and the managing director of the audited company (SOU 1941:9). The new Companies Act (SFS 1944:705), enacted in 1944, was characterised by its broad scope and wealth of detail. It underscored the role of limited companies in society, taking into account not only the interests of shareholders but also those of other third parties, such as municipalities, the state and employees.

In the preparatory works leading to the 1944 Companies Act, options for ongoing harmonisation of the Companies Act in the Nordic countries (Denmark, Finland, Norway, and Sweden) were

deliberated (SOU 1941:9). A significant point of debate was the abolition of the Swedish MA. Representatives from Denmark highlighted the risk of MAs, suggesting that auditors would devote themselves to criticism rather than objective reviews. The Swedish legislator defended the relevance of MAs, stating that the requirement to conduct merely FSAs was suitable for jurisdictions with a dualistic board structure, like Germany, which had a supervisory board (*Aufsichtsrat*). In contrast, the Swedish system, which has favoured a unitary board structure, relied on auditors as a controlling body of a company to provide valuable recommendations in auditors' reports concerning the discharge from liability of the board and managing director. However, it was clarified that auditors were not required to critique the suitability of financial decisions by management, provided these decisions did not affect the discharge function. The harmonisation efforts came to a standstill due to the outbreak of World War II and the Winter War between the Soviet Union and Finland (SOU 1971:15). In the end, the 1944 Companies Act retained both MA and FSA requirements.

The Act reinforced existing audit requirements, while also establishing new parameters by detailing provisions in areas including the auditors' knowledge and experience, audit procedures and the auditors' reports in the interest of a wider public. Notably, in recognition of the prevalence of lay auditors at the time, the Act required auditors to possess practical experience in bookkeeping, and, where applicable, knowledge of group accounting and an understanding of financial conditions relevant to the company's operations. The Act also reinforced MA practices previously guided by professional standards by stipulating that auditors review the minutes of the board and general meetings, accounting documents, and control of the company's inventory of cash and other assets to ensure satisfactory administration of the company. In addition, auditors' reports were to include separate statements on the discharge of liability for the board and the managing director.

In the domain of the audit profession, the Kreuger Crash and the legal reforms had significant implications. The Nordic audit professional associations initiated efforts to harmonise audit guidelines (SRSa 3). The proceedings of the 1954 Nordic Auditor Conference in Helsinki highlighted ongoing scepticism about the MA, specifically regarding its broad scope and the competence of auditors. Echoing concerns raised in the preparatory works, representatives from Denmark and Norway questioned whether introducing a legal requirement for MAs might prove detrimental to auditors and potentially undermine the audit function in their respective countries. In turn, Swedish auditors recognised that achieving harmonisation would require substantial legal changes and considerable effort, particularly given that only Sweden and Finland required MAs. Ultimately, harmonisation of Nordic audit guidelines was not reached. However, in Sweden, where FSA procedures had traditionally been performed within the scope of the MA, a notable shift emerged in the discourse among auditors (FARa A2). The FSA increasingly came to be regarded as the auditor's primary responsibility, effectively subjugating the standing of the MA and reshaping its trajectory within the statutory audit framework. The traditional separation of tasks between auditors focusing on MAs and figure-checking clerks engaging in FSAs decreased, as evidenced by audit reporting practices of the time, where auditors increasingly made fewer and fewer references to the reports of figure-checking clerks (Rahnert, 2017). Through oral history, it was established that authorised auditors began handling the checking of figures early in their careers (Öhman and Wallerstedt, 2012).

Despite the increasing significance of the FSA, archival sources show a further development of MA guidance within the profession (FARa F14). From the 1940s to the 1960s, audit training courses offered by FAR included detailed instructions on MA procedures. These procedures covered reviewing company documents, assessing organisational structure and strategic planning, comparing actual versus book results, and analysing profit or loss appropriation. Interestingly, while the minutes from FAR's annual general meetings indicate that members interpreted the

1944 Companies Act as extending the role of auditors to encompass not only the interests of shareholders but also those of other parties, thereby broadening their social function and responsibility (FARa A1), the extended role was not formally reflected in the MA guidance.

In terms of audit reporting, Oscar Sillén, a founding member and the first chairman of FAR, clarified that Swedish auditors were generally reluctant to publicly criticise management decisions observed through MAs (SRSa 3). This stance reflects the prevailing practice at that time, which was oriented towards consulting to improve business practices, rather than reporting more extensively and openly on audit findings. On the other hand, Knut Ranby, a leading practitioner, argued for more extensive reporting with regard to the MA (Ranby, 1963a, 1963b). However, despite requests from various stakeholders, extended MA reporting was not introduced.

In the 1960s, Swedish audit firms started cooperating with international firms (Öhman and Wallerstedt, 2012), and FAR started working in a more structured way by appointing several committees, among others, the Accounting and Audit Committees (FARa F6A). In 1971, FAR published the first recommendation concerning auditing prepared by the Audit Committee, *About auditing of financial accounts in Swedish limited companies – the focus and scope of the audit* (FARa F8A). However, the MA was not addressed specifically in this or additional recommendations during the 1970s, which further illustrates a shift in audit focus from the MA to the FSA.

1975–1994: The MA in the context of Swedish GAAS

The period between 1930 and 1974 was characterised by industrial expansion in Sweden (Schön, 2010). Over time, Swedish business life experienced transformation driven by increasing cross-border investments and the growth of the service sector. Businesses began operating on a more international scale, necessitating audit firms to follow suit (Wallerstedt, 2009). Confronted with stiff competition, Swedish companies underwent structural rationalisations, resulting in a wave of mergers (Schön, 2010). In response, political initiatives aimed at strengthening their market position ensued. The increasing complexity of the business landscape rendered the rules-based 1944 Companies Act outdated, prompting simplification and revision, which began in the early 1960s (SOU 1971:15).

The new Companies Act (SFS 1975:1385) was enacted in 1975. In the area of auditing, the Act stipulated that the statutory audit, including both MAs and FSAs, be conducted in a manner that was as detailed and extensive as required by GAAS. The introduction of Swedish GAAS marked a critical juncture, signifying a pivotal shift in the regulatory approach, from detailed, rules-based legislation to a model where the substantive content of audits was developed outside the legal framework, primarily by the audit profession (Prop. 1975:103). The new institutional arrangement intended to afford the audit profession the flexibility to adapt continually to evolving practices (SOU 1971:15).

Two key developments led to the introduction of Swedish GAAS. The legislator considered extending the MA to review significant company decisions from financial and, potentially, social perspectives, with auditors reporting their findings (SOU 1971:15). However, concerns arose that formalising such findings in auditors' reports might compromise auditors' objectivity and unduly influence management decisions. To address this, it was decided that regulating MAs within the GAAS framework would facilitate its development within the domain of the audit profession (Prop. 1975:103). Concurrently, the Nordic countries sought to harmonise company law to strengthen their international competitiveness, particularly in response to European Economic Community harmonisation efforts. While Danish and Norwegian laws precluded MAs, there was consensus that auditors should report harmful or legally questionable actions without interfering in management decisions. To facilitate harmonisation, the legislator downplayed differences,

suggesting they were more terminological than substantive. It was concluded that regulating MAs under Swedish GAAS was preferable as it would avoid the complexities and risks associated with detailed legislation. The preparatory works emphasised that MAs should primarily detect or prevent illegal or unjustifiable management actions, without requiring auditors to assess the economic appropriateness of decisions, except where it might lead to a refusal of discharge (SOU 1971:15).

Shortly after the 1975 Companies Act came into force, expanding auditors' responsibilities in response to rising economic and tax crime became a key focus of policy debates (Prop. 1984/85:30; SOU 1983:36). Although the development of audit practice was delegated to the profession, the 1975 Companies Act was updated in 1984 (SFS 1984:945) with the purpose of better utilising auditing as a control mechanism to serving society's interests (SOU 1983:36). Preparatory works noted that auditing's focus on financial reports, materiality, and risk criteria limited its ability to detect and prevent economic crime and irregularities (SOU 1971:15). New legal parameters were introduced to regulate audit content relating to the administration of the company even though they were not defined under the scope of the MA, but under auditors' general duties. Auditors were required to disclose non-compliance with tax regulations, alert relevant authorities, and provide information about companies' affairs to those leading preliminary criminal investigations. While relating these requirements to auditors' general duties facilitated future harmonisation endeavours, it blurred the distinction between MAs and FSAs, creating a new path of development for both audits.

In the domain of the audit profession, legal developments in the late 1960s prompted FAR to reassess the role and practice of MAs (FARa F10.1). Despite the growing emphasis on the FSA and the internationalisation of auditing,⁴ FAR upheld the MA as essential to auditors' work (Edlund, 1978). However, when the 1975 Companies Act was enacted, audit recommendations constituting Swedish GAAS were established for FSAs (FARa F8A) but not for MAs, despite their longstanding tradition. The profession acknowledged that MA practice relied heavily on subjective judgements and varied according to the auditor and company characteristics (Edlund, 1978).

Drawing on the preparatory works to the 1975 Companies Act, and the need to develop Swedish GAAS, the Audit Committee of FAR began efforts to extend MAs. It was expressed (Edlund, 1978: 9):

By extending the MA, we mean an examination that goes beyond what is required for the mandatory reporting in auditors' reports on possible violations of the Companies Act and the articles of association, as well as on conditions that may give rise to liability for compensation.

Edlund (1978) observed that auditors were already providing advice on business practices alongside the audit on a case-by-case basis, indicating a consultancy approach. The Committee recommended that a forward-looking MA with a preventive focus would benefit both society and businesses. It suggested that the MA should prioritise business practices and management efficiency, addressing the common interests of all stakeholders, rather than just accounting issues.

Engagement with key interest groups, including the state, industry, academia, and the financial press, revealed differing expectations on the duty of auditors and the scope of the MA⁵ (Nyström, 1976). Debates arose over auditing versus consulting, with concerns that an expanded MA might increase consultancy services and conflicts of interest. Concerns also included audit reporting, while some pushed for greater transparency, others, including FAR's Audit Committee, warned of potential superficial reporting (Dahlstrand, 1982; Tornvall, 1975). Reflecting opinions on auditor competence to perform an extended audit, a representative for a Swedish bank remarked (Tornvall, 1975: 4):

I feel an anxious compassion for my friends who go to sea in a small, poorly equipped boat.

In light of the legislative developments and growing expectations from various constituencies, FAR's Audit Committee drafted a recommendation on the MA in 1978. It was recognised that the development of MAs presented greater challenges compared to FSAs due to significant variations in the expectations and practical conditions for MAs among individual auditors and companies, and that it involved diverse measures and complexities that made practice more arduous. The lack of clear goals, systematic procedures, reporting requirements, and comprehensive training materials further exacerbated these challenges. Consequently, the draft outlined aspired best practices setting parameters for innovation and future development rather than codified established ones (Edlund, 1978). The Committee referenced earlier discussions (FARa F6B), including those from the 1976 XI Nordic Conference in Reykjavik, where the foundational elements of GAAS were discussed (Markland, 1976; SRSa 4). It was believed that even in countries where MA practices were uncommon, there was an expectation that audits would gradually incorporate MA elements (Edlund, 1978). For example, issues concerning 'going concern' emerged as a common thread linking countries with or without MAs (Markland, 1976).

In 1984, FAR updated its audit recommendation and included MA guidance (FARa F8A). Despite a brief section specifically addressing MAs alongside FSAs, MA procedures were presented together with those of FSAs, thereby blurring the boundaries between the two. It emphasised the auditors' responsibility to evaluate all matters they encounter, regardless of their source, whether through FSAs, MAs or otherwise. According to FAR, a separate recommendation for the MA was not considered necessary as MAs and FSAs were interconnected and the two types of audits were conducted concurrently (Danielsson and Lundvall, 1981).⁶

The recommendation closely followed the legal parameters set by the 1975 Companies Act to guide auditors in assessing whether board members and the managing director were liable for actions or negligence, and if they had violated the Act or the company's articles of association (FARa F8A). It also instructed auditors on how to proceed based on the significance of errors found during the audit and provided principles-based instructions for determining whether such actions involved intent or negligence. It addressed auditors' reporting obligations, suggesting that minor actions, negligence, or violations, which had already been addressed and caused minimal harm, could typically be reported to company management. The recommendation was centred on planning, control, and risk analysis with a greater emphasis on the overall business rather than primarily on the financial accounts.

Parallel to the development of the MA recommendation, the suggested expansion of auditors' responsibilities in the early 1980s in policy discussions was heavily criticised by FAR (FAR, 1983; FARa F6B). In response, FAR reiterated the audit profession's role to develop Swedish GAAS and contested any regulatory approaches based on detailed legislation. Drawing on views expressed among FAR members, FAR stated that the legislator had underestimated the preventive role of MAs, and suggested that the proposed controls would be counterproductive, undermining the trust between the auditor and company management. By means of FAR's active engagement in public debate, the most far-reaching suggestions by the legislator pertaining to extending the duties of auditors were impeded. This was considered an important success by the profession (Larsson, 2005). While legislators avoided further intervention, the profession likewise made no significant effort to advance the MA, thereby reinforcing the dominance of the FSA.

Discussion

Through the lens of historical institutionalism (Capoccia and Kelemen, 2007; Pierson, 2000; Steinmo, 2008), our findings reveal how critical events have prompted institutional changes, while path dependencies have sustained the continuity of the MA and shaped its trajectory

over time. This section discusses the key findings relating to the development of the MA within the statutory audit context, and the opportunities and challenges of the MA in light of the expectations gap.

The MA in the statutory audit context

The MA emerged as a voluntary practice, wherein lay auditors reviewed the company administration, offered constructive criticisms, and recommended the discharge of liability for the board and managing director in their reports. The emergence of limited companies and a series of frauds marked a critical juncture, which prompted the shift of MA and FSA regulation from the private to the public domain, thereby initiating the first period (1895–1943). Through the 1895 Companies Act, MAs and FSAs were mandated and became constituents of the statutory audit. Although the Act provided minimal legal guidance, the regulatory shift placed the development of the MA within two interacting domains: legislative frameworks that defined the legal parameters and professional guidance that shaped its practice. The growth of professional associations and their respective guidance on MAs codified and reinforced established practices of that time, affirming that the MA was the main task of the auditor, supported by the FSA, which was frequently performed by figure-checking clerks.

The second period (1944–1974) was catalysed by the Kreuger scandal, which led to substantial legal and professional reforms to address evolving business practices. These reforms primarily addressed accounting inconsistencies, weak control mechanisms, and the growing prevalence of group companies. The 1944 Companies Act marked significant regulatory intervention, which detailed auditor competence, the content of statutory audits, and auditors' reports, all instituted to serve a broader public. The Act formalised MA requirements previously provided in professional guidelines, setting parameters for MA development. In the domain of the audit profession, the Kreuger scandal and subsequent legal reforms triggered a sequence of events that prompted initiatives to strengthen the influence of the audit profession. This shift placed greater emphasis on the FSA, making it more central to auditors' responsibilities and consequently reducing the role of figure-checking clerks. Collaboration with international firms, their focus on FSAs, as well as the publication of the 1971 auditing guidelines, further reinforced the primacy of FSAs. Although the practice of the MA persisted, its significance was increasingly overshadowed by the rising focus on FSAs, resulting in diminished prioritisation of its development.

The third period (1975–1994) commenced with the introduction of Swedish GAAS in the 1975 Companies Act, which marked a critical event delegating the development of the MA towards the audit profession. While the audit profession endeavoured to extend the MA following discussions in the legal preparatory works, their efforts were hindered by ambiguities in its scope and purpose. These ambiguities led to differing interpretations by auditors and various stakeholders, who raised concerns about auditors' competence and independence. The idiosyncratic nature of the MA further dissuaded efforts to standardise and codify MA practices, resulting in a reduced emphasis on developing MA guidance. Simultaneously, internationalisation of audit regulation spurred a further focused effort on the development of the FSA. While the 1984 auditing guidelines by FAR included provisions for both MAs and FSAs, the guidance primarily centred on the FSA, which directed the MA towards a more limited role focused on reviewing the administration of the company and ensuring compliance with requirements stated in the Companies Act. Importantly, this shift has steered the trajectory of the MA in ways that may prove difficult to reverse, diminishing its role in the broader audit landscape. Our findings also highlight that legislators can reclaim the jurisdiction to develop the statutory audit. For instance, in 1984, legal provisions, although not explicitly linked to MAs, were introduced to enhance the control function in the public interest.

Throughout the three time periods, harmonisation efforts, especially among the Nordic countries, have influenced audit regulation, and in the latter two periods challenged the MA's standing. Interestingly, this threat has urged the legislator and the audit profession to repeatedly claim the importance of the MA and its *raison d'être* in the Swedish context. Regulators recognised that the removal of the MA could create an institutional void that harmonisation would fail to address. Consequently, harmonisation endeavours led to the persistence of the MA, not least due to traditional institutional settings, including a single-board structure and the discharge function.

Our findings complement historical studies focused on the reciprocal relationship between audit regulation and the development of the profession (Öhman and Wallerstedt, 2012), by attending to the development of the MA and the dynamic interaction between audit regulation and initiatives of the profession. It also provides a basis for understanding why the FSA has progressively transformed into a more structured and standardised practice, whereas the MA has maintained a more conceptually elusive and pragmatically ambiguous nature, heavily reliant on the tacit knowledge of individual auditors (Burrowes and Persson, 2000; Dahlgren and Nilsson, 2004; Persson, 2024). Furthermore, it offers valuable insights into the audit reporting literature, particularly within the Swedish context (Rahnert, 2017), where the inclusion of MA findings in auditors' reports has been both supported and contested.

The capacity of the MA to narrow the expectation gap

Our findings reveal that the MA has offered a more holistic approach to auditing, providing deeper insights into the administration of the company and fostering better business practices. It has provided the capacity to assess risk and internal controls beyond the requirements of international standards. While ISA 315, for example, incorporates risk assessment and internal controls, the focus remains on the risk of material misstatement in financial statements (IAASB, 2024). In contrast, the MA evaluates these factors from a broader business perspective, considering their implications for the overall administration and operations of the company. This broader scope of the MA challenges the prevailing myopic focus on financial audits and compliance with standards. This aligns with the current debate that puts forth the need to challenge the taken-for-granted conceptual underpinnings of the audit, which is viewed as a second-order function primarily concerned with the verification of financial statement information (Adams et al., 2023; Humphrey et al., 2021).

Despite the potential of the MA to meet stakeholder needs (Ruhnke and Schmidt, 2014), not least in the context of developing an international one-audit model, our historical examination highlights constraints limiting its development. Especially during the last two periods, conflicting interests between stakeholders, sometimes expressed through the legislator, and the audit profession, when redefining and reconstituting the role and scope of the MA, are observable. While the legislator shifted the purpose of the statutory audit from primarily protecting owners in the first period to serving a broader range of stakeholders, including the public, in the third period, the audit profession recurrently highlighted the close relationship between MAs and consultancy services. Notably, the profession stressed that criticism of the management of a company should no longer be published in auditors' reports, as was the case prior to the statutory audit (Rahnert, 2017), whereas stakeholders demanded extensive reporting.

Throughout the three periods, the boundaries between MAs and consultancy services remained vague and sparked discussions on auditor independence. Despite the introduction of Swedish GAAS in 1975, which rendered the audit profession a high degree of self-regulation, only a few years later, the legislator questioned the capacity (or willingness) of the audit profession to effectively serve the public and introduced rules-based requirements related to auditors' control of the administration of companies. Tensions between growing stakeholder expectations and auditors'

close relationship with the audited company, by advocating consultancy services in the last period, seemingly disguised as extended MAs, have previously been outlined as essential parts of the audit expectation gap (Humphrey et al., 1992; Quick, 2020). Our examination of the MA thus reveals that even in a country where essential stakeholder demands, such as auditing a company's management, are formally in place, this does not necessarily imply that stakeholders' expectations are satisfied. Auditors have struggled to balance their economic interests with serving the public (Öhman et al., 2006), and the audit profession has swept the MA into a 'professional mystique' by blurring the boundaries between MAs and consulting, MAs and FSAs, as well as refraining from developing distinct and exhaustive MA recommendations and reporting practices.

Conclusion and the path forward

This study traces the development of the MA in Sweden from 1895 to 1994, offering valuable insights into national audit traditions. Based on our key findings, the study makes three main contributions to the accounting history literature. Firstly, the analysis of the development of the MA in the context of the statutory audit in Sweden offers a nuanced perspective on the distinctive nature of Sweden's audit tradition, which cannot be fully understood without a clarification of the roles and interaction of both the MA and the FSA. Understanding the antecedents of the MA is significant not merely as a historical record but as a foundation for understanding how national audit traditions evolve and endure. The study illuminates how audit practices are shaped by institutional arrangements, indicating the need to situate these practices within their historical settings, as articulated by Carnegie and Napier (1996).

Secondly, by reviewing the recurring debates that surfaced each time the MA was challenged, this study brings to attention the rationales that have historically justified the MA's existence and relevance. The study demonstrates that the MA maintains a central role in the Swedish governance structure, a status underpinned by the unitary board structure and the discharge function. In the context of audit harmonisation, recognising these underlying reasons is essential to bridging national traditions with international regulation. This knowledge plays a crucial role in identifying what may be lost when jurisdiction-specific audit practices are subjugated by global auditing standards.

Thirdly, examining the discussions surrounding the capacity and challenges of the MA reveals that the MA has the potential to extend the scope of the audit and improve business practices, thereby potentially narrowing the audit expectation gap. At the same time, the development of the MA has been constrained by stakeholders' concerns with regard to its proximity to consultancy and questions regarding auditors' independence and competence. This provides a vital framework for understanding the current tensions in audit regulation, particularly those related to stakeholder expectations, and the contested scope and boundaries of audit practice.

The above contributions have implications for the further development of national and global audit regulation and practice by harnessing the potential of the MA and encouraging a rethink of the audit concept to enhance its relevance both in Sweden and on a broader scale. Audit is a socially constructed practice with boundaries that are not fixed but are expected to evolve over time to reflect changing societal needs (Mautz and Sharaf, 1961). Today, audit stands at a crossroads. Regulatory developments, such as the Corporate Sustainability Reporting Directive and reforms responding to concerns around fraud, money laundering, and broader stakeholder accountability, are extending the remit of audit beyond its traditional financial statement focus. Nevertheless, audit practices often prioritise procedural compliance of 'doing things right' over more analytical and holistic approaches (Öhman et al., 2006).

In Sweden, there is a renewed debate within academic and professional circles regarding the relevance and future of the MA (Eklöv Alander and Svernlöv, 2008; Engerstedt and Åkersten, 2008; FAR, 2024; Hult and Svernlöv, 2011; Persson, 2020, 2024), signalling a critical moment

for re-evaluating its distinctive role. Unlike the FSA, the MA provides a broader evaluative lens, potentially encompassing governance, risk management and internal controls. Highlighting this capacity would facilitate efforts to revise MA standards to reinforce, rather than marginalise, long-standing national practices and contribute to a more robust and context-sensitive audit framework. It also cautions against overemphasising the discharge function of the MA, which could undermine its broader role in fostering good business practices (Persson, 2020, 2024).

In the context of the evolving global pressures for audit standardisation, this study underscores the importance of contextual sensitivity, cautioning that global standards may displace effective local governance and control set up and create institutional voids. Hence, rather than simply translating national practices into an international language, understanding the history of national audit traditions is needed for more adaptive and context-sensitive forms of alignment. For example, understanding the antecedents of the MA encourages reflection on how new regulations, such as subordinating the auditor to the oversight of the audit committee, may raise concerns regarding potential conflict of interest and auditor independence in Sweden (Eklöv Alander, 2019), an issue that may not arise in other jurisdictions. Bridging national audit traditions also enables the exchange of insights and adaptation of practices across jurisdictions. The Swedish model, for instance, offers an alternative conceptualisation of the statutory audit. It shows that a broader risk perspective can be integrated into auditors' duties through the MA, suggesting that statutory audit boundaries can be extended to address wider risk concerns of a company as a whole, without undermining core professional standards.

Recognising these contributions and implications, the study has limitations that future research might address. The extensive period covered presents inherent challenges in scope. To gain a more comprehensive and nuanced understanding, further research is necessary on the development of MA practice based on, for example, oral histories of practitioners and documentation from audit firms, to complement the legal and regulatory perspectives explored in this study. Moreover, the temporal scope of this study concludes with Sweden's accession to the EU. The post-1995 era, characterised by significant institutional changes and evolving global audit regulations, is crucial for comprehending the ongoing development of the MA in Sweden. Expanding the study to encompass these recent decades would offer a more comprehensive understanding of the MA's trajectory, particularly in relation to the convergence towards one global audit model (Humphrey et al., 2021). Furthermore, a comparative historical study between Sweden and Finland could provide valuable insights into the distinct contexts and divergent developments of management audit practices, offering a deeper understanding of the broader historical and contextual influences that have shaped these practices in each country.

Author note

Both authors contributed equally to the article.


Acknowledgements


The authors would like to thank our colleagues in academia and practitioners in accounting and audit practice who have commented on the paper. In particular, we acknowledge Sven-Arne Nilsson and Henrik Persson from Deloitte for their insightful contributions. We would also like to express our gratitude to the reviewers and editors for their careful reading and constructive feedback, which has helped strengthen this study.

Funding

The authors received no financial support for the research, authorship, and/or publication of this article.

ORCID iDs

Amanda Sonnerfeldt  <https://orcid.org/0000-0002-9983-9740>

Katharina Rahner  <https://orcid.org/0000-0001-7347-9655>

Notes

1. Audits similar to the MA are conducted in a few other countries. The practice in Finland is analogous to that in Sweden due to the countries' shared history. In Germany, the 'Feststellung/Prüfung der Ordnungsmäßigkeit der Geschäftsführung' is incorporated into the statutory audit of cooperatives under the 'Genossenschaftsgesetz' and certain public sector companies under the 'Haushaltsgrundsätze-gesetz'. The term 'management audit' has also been utilised in various contexts, such as public sector auditing (Parker, 1986) and internal auditing (Allegrini et al., 2006). There are notable similarities between the MA and the Business Risk Auditing (BRA) methodology, which was developed in the late 1990s by international audit firms to incorporate an organisation's business risks into the audit evidence process (Knechel, 2007). Both approaches adopt a broader perspective on risk that extends beyond traditional financial statement risks. However, while BRA explicitly integrates strategic and operational risk considerations into audit planning with the objective of enhancing the effectiveness of audit procedures, the MA primarily focuses on evaluating the administration of the company by the board and the managing director, in accordance with Swedish legislation and auditing standards.
2. Although figure-checking clerks were not formally recognised as auditors, their presence was deemed essential; an audit conducted without one, whether appointed by the board or the auditor, was considered meaningless (Lindahl, 1923).
3. Throughout the years, the association changed its name. Its current name again is FAR but understood as the Institute of the accountancy profession in Sweden with members working as authorised and approved public accountants, authorised accounting consultants, certified tax consultants and payroll consultants. In this study, we use the designation FAR consistently.
4. FAR's membership in the Union Européenne des Experts Comptables Economiques et Financiers in 1963 and the International Federation of Accountants in 1977, along with its interest in the standards and recommendations of other professional associations such as the Institute of Chartered Accountants in England and Wales, underscores the importance of international coordination in developing audit practices to meet the needs of a changing business environment (FARa A2).
5. For example, discussions on among other things, whether it was incumbent on the auditors to test the financial suitability of management measures and the issue of extending auditors' obligation to make administrative remarks given the difficulties in measuring and evaluating the management process, were held in several fora (FARa F10.1).
6. From the documents, although there are indications, it is impossible to determine if there was a definite shift in the earlier position that the FSA is the starting point for the auditor when reviewing the administration of the company.

References

- Adams S, Hall M and Xiao X (2023) Styles of verification and the pursuit of organisational repair: The case of social impact. *Accounting, Organizations and Society* 113: 101478.
- Allegrini M, D'Onza G, Paape L, et al. (2006) The European literature review on internal auditing. *Managerial Auditing Journal* 21(8): 845–853.
- Braun V and Clarke V (2006) Using thematic analysis in psychology. *Qualitative Research in Psychology* 3(2): 77–101.
- Brown RG (1962) Changing audit objectives and techniques. *The Accounting Review* 37(4): 696–703.
- Burrowes A and Persson M (2000) The Swedish management audit: A precedent for performance and value for money audits. *Managerial Auditing Journal* 15(3): 85–97.
- Capoccia G and Kelemen RD (2007) The study of critical junctures: Theory, narrative, and counterfactuals in historical institutionalism. *World Politics* 59(3): 341–369.

- Carmona M, Salvador N, Ezzamel M, et al. (2004) Accounting history research: Traditional and new accounting history perspectives. *De Computis, Revista Española de Historia de la Contabilidad* 1(1): 24–53.
- Carnegie GD and Napier CJ (1996) Critical and interpretive histories: Insights into accounting's present and future through its past. *Accounting, Auditing & Accountability Journal* 9(3): 7–39.
- Cooper D and Robson K (2006) Accounting, professions and regulation: Locating the sites of professionalization. *Accounting, Organizations and Society* 31(4-5): 415–444.
- Coram PJ and Wang L (2021) The effect of disclosing key audit matters and accounting standard precision on the audit expectation gap. *International Journal of Auditing* 25(2): 269–618.
- Dahlgren J and Nilsson SA (2004) Management audit — A study of the development and the meanings in Sweden. Conference paper. 10th World Congress of Accounting Historians. St. Louis, Missouri, USA.
- Eklöv Alander G (2019) Clash of corporate governance logics obscuring auditor independence. *International Journal of Auditing* 23(2): 336–351.
- Eklöv Alander G and Svernlöv C (2008) Förvaltningsrevisionens framtid ifrågasatt. [The future of the management audit questioned]. *Balans* 34(1): 40–44.
- Engerstedt U and Åkersten P (2008) Förvaltningsrevisionen borta för gott? [The management audit gone for ever?]. *Balans* 34(5): 38–39.
- FAR (2024) Lämna synpunkter på uppdaterad RevR 209 [Provide comments on updated RevR 209]. Available at: <https://www.far.se/aktuellt/nyheter/2024/mars/kom-med-synpunkter-pa-uppdaterad-revr-209/> (accessed 30 March 2024).
- Flesher DL and Flesher TK (1986) Ivar Kreuger's contribution to U.S. financial reporting. *The Accounting Review* 61(3): 421–434.
- Flint D (1988) *Philosophy and Principles of Auditing – An Introduction*. London: Macmillan.
- Fülbier RU and Klein M (2015) Balancing past and present: The impact of accounting internationalisation on German accounting regulations. *Accounting History* 20(3): 342–374.
- García-Hernández B, Duréndez A and Rojo-Ramírez AA (2022) The audit expectation gap and strengthened independence standards in the European union: Measuring the effects of the new EU directive. *Accounting Forum* 46(3): 264–286.
- Gomes D, Carnegie GD, Napier CJ, et al. (2011) Does accounting history matter? *Accounting History* 16(4): 389–402.
- Gustavsson M and Rahnert K (2023) Reglering i takt med tiden: Revisionslagstiftning i ett samhällsekonomiskt perspektiv 1895–1995. [Regulation in the pace of time: Audit regulation from a socio-economic perspective 1895–1995]. In: Rahnert K and Öhman P (eds) *Revision – I går, I dag och I Morgon*. Stockholm: Ekerlids, 64–95.
- Hatherly D (2022) The super-auditor, perpetual beta and pervasive performativity. *International Journal of Auditing* 26(1): 23–26.
- Hommelhoff P and Schubert W (eds) (1985) *Hundert Jahre modernes Aktienrecht. Eine Sammlung von Texten und Quellen zur Aktienrechtsreform 1884 mit zwei Einführungen*. Berlin, Boston: De Gruyter.
- Hult A and Svernlöv C (2011) Fördjupning: Förvaltningsrevision, i går, i dag, i morgon [The management audit, yesterday, today, tomorrow]. *Balans* 37(6-7): 35–37.
- Humphrey C, Moizer P and Turley WS (1992) The audit expectation gap – plus ça change, plus c'est la même chose? *Critical Perspectives on Accounting* 3(2): 137–161.
- Humphrey C, Sonnerfeldt A, Komori N, et al. (2021) Audit and the pursuit of dynamic repair. *European Accounting Review* 30(3): 445–471.
- Johnsson LA (1946) Om organisationen i 1600-talets svenska handelskompani, med särskild hänsyn till revisionen. [About the organisation of the trading companies of the 17th century, with particular consideration of the audit]. *Affärsekonomi* 19(14): 955–970.
- Knechel WR (2007) The business risk audit: Origins, obstacles and opportunities. *Accounting, Organizations and Society* 32(4-5): 383–408.
- Knechel WR, Thomas E and Driskill M (2020) Understanding financial auditing from a service perspective. *Accounting, Organizations and Society* 81: 101080.
- La Porta R, Lopez-de-Silanes F, Shleifer A, et al. (1998) Law and finance. *Journal of Political Economy* 106(6): 1113–1155.

- Larsson B (2005) Auditor regulation and economic crime policy in Sweden, 1965–2000. *Accounting, Organizations and Society* 30(2): 127–144.
- Lindahl O (1923) Frågor och svar [Questions and answers]. *Revisorn – Tidskrift för Organisation, Bokföring och Skatter* 2(10): 162.
- Mahoney J (2000) Path dependence in historical sociology. *Theory and Society* 29(4): 507–548.
- Mautz RK and Sharaf HA (1961) *The Philosophy of Auditing*. Sarasota: American Accounting Association.
- Nobes CW (1983) A judgemental international classification of financial reporting practices. *Journal of Business Finance & Accounting* 10(1): 1–19.
- Öhman P, Häckner E, Jansson A-M, et al. (2006) Swedish auditors' view of auditing: Doing things right versus doing the right things. *European Accounting Review* 15(1): 89–114.
- Öhman P and Wallerstedt E (2012) Audit regulation and the development of the auditing profession: The case of Sweden. *Accounting History* 17(2): 241–257.
- Olsson C (1976) Om förvaltningsrevision i aktiebolag. [About management audit in limited companies]. In: Grönfors K, Hellner J and Persson PG (eds) *Festskrift Till Knut Rodhe, Studier I Kredit- och Associationsrätt*. Stockholm: P.A. Norstedt & Söners Förlag, 347–358.
- Östberg J (2023) Förvaltningsrevision: Dess betydelse och reformbehov. [Management audit: Its meaning and need for amendment]. In: Rahnert K and Öhman P (eds) *Revision – I går, I dag och I Morgon*. Stockholm: Ekerlids, 185–210.
- Parker LD (1986) *Value-for-money Auditing: Conceptual, Development and Operational Issues*. Caulfield: Australian Accounting Research Foundation.
- Persson H (2020) Förvaltningsrevisionen – behov av utveckling av den goda revisionsleden. [The management audit – The need to develop GAAS]. *Balans Fördjupning* 46(3): 35–44.
- Persson H (2024) Förvaltningsrevisionen – ett nytt kapitel har skrivits [The management audit – A new chapter has been written] *Balans*, fördjupning. Available at: <https://tidningenbalans.se/artikel/forvaltningsrevisionen-ett-nytt-kapitel-har-skrivits> (accessed 20 November 2024).
- Pierson P (2000) Increasing returns, path dependence, and the study of politics. *American Political Science Review* 94(2): 251–267.
- Puxty AG, Willmott HC, Cooper DJ, et al. (1987) Modes of regulation in advanced capitalism: Locating accountancy in four countries. *Accounting, Organizations and Society* 12(3): 273–291.
- Quick R (2020) The audit expectation gap: A review of the academic literature. *Maandblad Voor Accountancy en Bedrijfseconomie* 94(1/2): 5–25.
- Rahnert K (2017) The evolution of the Swedish auditor's report. PhD Thesis, Karlstad University, Sweden.
- Ranby K (1968) Förvaltningsrevision i svenska företag. Anförande av Knut Ranby vid sammanträde med Riksrevisionsverket M-kommitté den 8 maj 1968. [Management audit in Swedish companies. Speech by Knut Ranby at a meeting with the National Audit Office's M-committee on 8 May 1968].
- Ruhnke K and Schmidt M (2014) The audit expectation gap: Existence, causes, and the impact of changes. *Accounting and Business Research* 44(5): 572–601.
- Schön L (2010) *Sweden's Road to Modernity: An Economic History*. Stockholm: SNS förlag.
- Scott WR (1995) *Institutions and Organizations*. Thousand Oaks, CA: Sage.
- Sikka P, Filling S and Liew P (2009) The audit crunch: Reforming auditing. *Managerial Auditing Journal* 24(2): 135–155.
- Sillén O (1944) *Några drag ur den svenska företagsekonomiska revisionens historia med särskild hänsyn till förvaltningsrevisionen*. [Some Features from the History of the Swedish Audit with Special Regard to the Management Audit]. Uppsala: Almqvist & Wiksells Boktryckeri.
- Sillén O (1952) *Om förvaltningsrevision i svenska aktiebolag*. [On the Management Audit in Swedish Limited Companies]. Stockholm: Godvil.
- Sonnerfeldt A and Eklöv Alander G (2023) In pursuit of a more socially relevant audit in the context of international standardisation. In: Marton J, Nilsson F and Öhman P (eds) *Auditing Transformation: Regulation, Digitalisation and Sustainability*. London: Routledge, 19–45.
- Steinmo S (2008) Historical institutionalism. In: Della Porta D and Keating M (eds) *Approaches and Methodologies in the Social Sciences: A Pluralist Perspective*. Cambridge, New York: Cambridge University Press, 118–138.

- Svernlöv C (2008) *Ansvarsfrihet: dechargeinstituet i svensk aktiebolagsrätt. [Discharge of Liability: The Discharge Institute in the Swedish Companies Act]*. Stockholm: Norstedts Juridik AB.
- Walker SP (2016) Revisiting the roles of accounting in society. *Accounting, Organizations and Society* 49: 41–50.
- Wallerstedt E (2001) The emergence of the Big Five in Sweden. *European Accounting Review* 10(4): 843–867.
- Wallerstedt E (2009) *Revisorsbranschen i Sverige under hundra år. [The Auditing Industry in Sweden During One Hundred Years]*. Stockholm: SNS förlag.

Appendix I – Key documents reviewed

Material from private archives

FAR's archive, Stockholm, Sweden (FARa)

- A1 – *Protokoll från sammanträden och stämmor*. [Minutes from meetings and general meetings]
- A2 – *Styrelseprotokoll*. [Minutes from board meetings]
- F6A – *Kommittéer och arbetsgrupper; protokoll*. [Minutes from committees and work groups]
- F6B – *Kommittéer och arbetsgrupper; övrigt*. [Miscellaneous documents from committees and work groups]
- F8A – *Ledamotsförteckningar*. [Member lists]
- F10.1 – *PM, utredningar, undersökningar*. [PMs, investigations, surveys]
- F14 – *Assistentkurser*. [Courses for assistant auditors]

Stockholms Handelskammare's archive, Stockholm, Sweden (SHKa)

- 1912 A – *Revisorsauktorisering*. [Authorisation of auditors]
- 1931 H – *Revisorsauktorisering och annan kompetensförklaring*. [Authorisation of auditors and other declarations of competence]

Svenska Revisorsamfundet's archive (without register), Stockholm, Sweden (SRSa)

- 1 – *Styrelseprotokoll*. [Board minutes]
- 2 – *Vägledning för revisorer*. [Guidance for auditors]
- 3 – *VII Nordiska revisorskongressen i Helsingfors*. [VII Nordic Auditors' Congress in Helsinki]
- 4 – *XI Nordiske revisorskongress Reykjavik 1976*. [XI Nordic Auditors' Congress in Reykjavik 1976]

Legal sources and other pronouncements

- IAASB [International Auditing and Assurance Standards Board] (2024) *Handbook of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements, 2023–2024 Edition, Volume I*. <https://ifacweb.blob.core.windows.net/publicfiles/2024-08/IAASB-2023-2024-Handbook-Volume-1.pdf>

- Prop. 1895:6. *Kongl. Maj:ts nådiga proposition till Riksdagen, med förslag till [...] lag om aktiebolag [...]*. [His Royal Majesty's gracious bill to the Riksdag, with proposals for [...] law on limited liability companies [...]]
- Prop. 1975:103. *Regeringens proposition med förslag till ny aktiebolagslag, m.m.* [The Government's bill with the proposal for a new limited companies act, etc.]
- Prop. 1984/85:30. *Regeringens proposition om effektivare företagsrevision.* [The Government's bill concerning more efficient company audits]
- Prop. 2013/14:86. *Förenklningar i aktiebolagslagen.* [Simplifications in the Companies Act]
- RevR 209. *Förvaltningsrevision FARs rekommendation i revisionsfrågor.* [Management audit FAR's recommendation on audit matters]
- SFS 1895:65. *Lag om aktiebolag.* [Companies Act of 1895]
- SFS 1910:88. *Lag om aktiebolag.* [Companies Act of 1910]
- SFS 1944:705. *Lag om aktiebolag.* [Companies Act of 1944]
- SFS 1975:1385. *Aktiebolagslag.* [Companies Act of 1975]
- SFS 1984:945. *Lag om ändring i aktiebolagslagen (1975:1385).* [Act concerning changes to the Companies Act (1975:1385)]
- SFS 1995:528. *Lag om revisorer.* [Accountants Act]
- SFS 2005:551. *Aktiebolagslag.* [Companies Act of 2005]
- SOU 1941:9. *Lagberedningens förslag till lag om aktiebolag m.m. II Motiv.* [The legislative committee's proposal for a Companies Act etc.]
- SOU 1971:15. *Förslag till aktiebolagslag.* [Proposal for the Companies Act]
- SOU 1983:36. *Effektivare företagsrevision: delbetänkande från Kommissionen mot ekonomisk brottslighet.* [More efficient company audit: Interim report from the Commission against Economic Crime]

Practitioner publications in Swedish

- Dahlstrand S (1982) *Intressant debatt om förvaltningsrevision: Paneldebatten vid 1981 års FAR-dagar behandlade förvaltningsrevision.* [Interesting debate on the management audit: Panel debate at the 1981 'FAR-days' dealt with the management audit] *Balans* 8(1): 4–6.
- Danielsson Å and Lundvall S (1981) *Kommentarer till revisionskommitténs utkast till rekommendation om förvaltningsrevision.* [Comments to the Audit Committee's draft of a recommendation on the management audit] *Balans* 7(9): 21–24.
- Edlund B (1978) *Om förvaltningsrevision i aktiebolag – en beskrivning av granskningens inriktning och omfattning.* [About the management audit in limited companies – a description of the focus and scope of the review] *Balans* 4(4): 7–11.
- FAR (1983) *FAR är kritisk mot betänkandet "Effektivare företagsrevision".* [FAR is critical of the report "More efficient company audit"] *Balans* 9(10): 27–31.
- FGG (1933) *Revision Siffergranskning Bokföring.* [Auditing Figures review Accounting] Stockholm: Föreningen Godkända Granskningsmän.
- Karlgren N (1939) *Kongress-Archiv 1938 des V. Internationalen Prüfungs- und Treuhand-Kongress.* Berlin: Komm.-Verlag.
- Markland B (1976) *XI nordiska revisorskongressen.* [XI Nordic Auditors' Congress] *Balans* 5(7): 25–26.
- Nyström B (1976) *Revisorns roll.* [The auditor's role] *Balans* 2(6): 26–27.
- Ranby K (1963a) *Förvaltningsrevision – vad innebär den?* [The management audit – what does it imply?] *Ekonomien* 40(6): 8–12.
- Ranby K (1963b) *Förvaltningsrevision i praktiken.* [The practice of management audits] *Ekonomien* 40(9): 18–29.
- Svensson S (1926) *Handledning vid revision.* [Guidance on auditing] Stockholm: P. A. Norstedt & Söners Förlag.
- Tornvall T (1975) *Intressant debatt avslutade Revisorsdagarna.* [Interesting debate terminated the 'Audit days'] *Balans* 1(6): 4–6.